



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman  
BOYD DUNN  
SANDRA D. KENNEDY  
JUSTIN OLSON  
LEA MÁRQUEZ PETERSON

Arizona Corporation Commission

DOCKETED

SEP 11 2019

DOCKETED BY

*CX*

In the matter of:

RONALD HORN, an unmarried man,

DANIEL RONDBERG, and JENNIFER  
RONDBERG, husband and wife,

RANDY RONDBERG, and KATHERINE  
RONDBERG, husband and wife,

JASON WALTER, and SAMANTHA  
WALTER, husband and wife,

JOHN WALTER, and JANIS WALTER,  
husband and wife, and

TRAGER, L.L.C., an Arizona limited  
liability company.

Respondents.

DOCKET NO. S-21038A-18-0022

DECISION NO. 77399

**ORDER TO CEASE AND DESIST, ORDER  
FOR DISGORGEMENT, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME  
BY: RESPONDENT JOHN WALTER**

**ORDER TO DISMISS WITHOUT  
PREJUDICE  
RE: RESPONDENT JANIS WALTER**

Respondent John Walter ("Respondent") elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties and Consent to Same ("Order"). Respondent admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission solely for the purpose of settling this proceeding.

## I.

## FINDINGS OF FACT

1. Since at least February 18, 2015, Respondent has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Respondent has been licensed as an Arizona insurance producer since at least February 18, 2015.

2. Respondent sold securities issued by Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3"), and/or Woodbridge Mortgage Investment Fund 3A, LLC (collectively, "the Woodbridge Funds").

3. The Woodbridge Funds were commercial lenders that made hard-money loans secured by commercial property. The Woodbridge Funds raised money from investors to help fund the hard-money loans. The Woodbridge Funds referred to these investments as First Position Commercial Mortgages ("FPCMs").

4. From approximately February 18, 2015, to approximately October 4, 2016, Respondent sold approximately 98 FPCMs to primarily Arizona investors, raising approximately \$4,319,000 for the Woodbridge Funds. Respondent received sales commissions for his FPCM sales totaling approximately \$62,687.98.

5. An FPCM consisted of a promissory note from a Woodbridge Fund, a loan agreement, and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the underlying hard-money loan. The Woodbridge Funds pooled money from multiple investors for each hard-money loan. If a Woodbridge Fund defaulted on its promissory note to an investor, the FPCM assignment documents required it to pay to the investor any payments the Woodbridge Fund received from the underlying hard-money borrower.

6. The FPCMs were securities in the form of notes, investment contracts, and real property investment contracts.

7. On May 4, 2015, a Consent Order (the "Massachusetts Order") was entered by the Massachusetts Securities Division against Woodbridge Mortgage Investment Fund 1, LLC ("Fund

1 1”), Fund 2, and Fund 3. Fund 1, Fund 2, and Fund 3 had submitted an Offer of Settlement to the  
2 Massachusetts Securities Division on April 29, 2015, to resolve its investigation into whether their  
3 sales of unregistered FPCMs to Massachusetts residents violated the Massachusetts Uniform  
4 Securities Act, Mass. Gen Laws ch. 110A. Fund 1, Fund 2, and Fund 3 admitted the Statement of  
5 Facts set forth in Section VI of the Massachusetts Order, neither admitted nor denied the Violations  
6 of Law set forth in Section VII of the Massachusetts Order, “and consent[ed] solely for the purpose  
7 of these proceedings to the entry of this Order by the Division, consistent with the language and terms  
8 of the Offer, settling the claims brought hereby with prejudice.”

9 8. Fund 1, Fund 2, and Fund 3 settled the Massachusetts investigation before any  
10 proceeding was filed against them by consenting, in the Massachusetts Order, to findings that they  
11 sold unregistered securities. The Massachusetts Order also required them to offer rescission to  
12 Massachusetts investors and pay a civil penalty of \$250,000.

13 9. The Massachusetts Order did not find that Fund 1, Fund 2, and Fund 3 had violated  
14 any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct.

15 10. On July 17, 2015, the Texas Securities Board issued an emergency cease and desist  
16 order (the “First Texas Order”) against Fund 3, Robert H. Shapiro (“Shapiro”), as the person  
17 controlling Fund 3, and others who promoted and sold FPCMs in Texas.

18 11. The First Texas Order alleged, among other things, that Fund 3 and Shapiro had  
19 offered and sold unregistered securities without being registered to sell them and were engaged in  
20 fraud in connection with the offer for sale of securities.

21 12. On March 18, 2016, the Texas Securities Board issued an order that set aside the First  
22 Texas Order. This order, to which Fund 3 and Shapiro consented, was titled: “Agreed Order Setting  
23 Aside Order No. ENF-15-CDO-1740” (the “Texas Agreed Order”).

24 13. The Texas Agreed Order contained Conclusions of Law that the FPCMs were  
25 securities and that Fund 3 and Shapiro offered them at a time when the securities were not registered  
26 with the Texas Securities Commissioner.

1           14.     The Texas Agreed Order did not find that Fund 3 or Shapiro had violated any laws or  
2 regulations that prohibit fraudulent, manipulative, or deceptive conduct.

3           15.     Respondent omitted to inform at least one of his Arizona FPCM investors before they  
4 invested of the Massachusetts Order, the First Texas Order, and/or the Texas Agreed Order.

5           16.     On October 4, 2016, the Commission issued an order against the Woodbridge Funds,  
6 Fund 1, WMF Management, LLC, Woodbridge Group of Companies, LLC, Shapiro, Robert W.  
7 Carfagno, Sr. and his spouse, AIO Financial LLC, and William M. Holliday and his spouse.

8           17.     The order was titled "Temporary Order to Cease and Desist and Notice of Opportunity  
9 for Hearing" (the "Temporary Order").

10          18.     The Temporary Order alleged a number of securities violations by the respondents  
11 and ordered the respondents to cease and desist from committing any violations of the Securities Act.

12          19.     On December 4, 2017, the Woodbridge Funds and numerous affiliated entities filed  
13 for protection under the U.S. Bankruptcy Code, Chapter 11.

14          20.     On November 27, 2018, the Commission issued an Order, which respondents the  
15 Woodbridge Funds, Fund 1, WMF Management, LLC, and Woodbridge Group of Companies, LLC  
16 consented to, finding that they violated registration and anti-fraud provisions of the Securities Act.  
17 The order included an administrative penalty of \$150,000 against these respondents, jointly and  
18 severally.

19          21.     Also on November 27, 2018, the Arizona Corporation Commission issued an Order  
20 which Shapiro consented to, finding that he violated anti-fraud provisions of the Securities Act. The  
21 order included an administrative penalty of \$150,000 against Shapiro.

22                               **II.**

23                               **CONCLUSIONS OF LAW**

24          1.     The Commission has jurisdiction over this matter pursuant to Article XV of the  
25 Arizona Constitution and the Securities Act.

2. Respondent offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondent violated A.R.S. § 44-1841.

4. Respondent violated A.R.S. § 44-1842.

5. Respondent violated A.R.S. § 44-1991(A)(2).

6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondent's conduct is grounds for an order to take appropriate affirmative action to correct the conditions resulting from his conduct pursuant to A.R.S. § 44-2032.

8. Respondent's conduct is grounds for administrative penalties pursuant to A.R.S. § 44-2036.

### III.

#### ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of his agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondent comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent shall pay disgorgement to the Commission in the amount of \$62,687.98 to correct the conditions resulting from the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona."

IT IS FURTHER ORDERED that the disgorgement ordered in the preceding paragraph will accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)

1 at a rate per annum that is equal to one per cent plus the prime rate as published by the board of  
2 governors of the federal reserve system in statistical release H. 15 or any publication that may  
3 supersede it on the date that the judgment is entered.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondent shall pay an  
5 administrative penalty in the amount of \$9,000 as a result of the conduct set forth in the Findings of  
6 Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be  
7 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

8 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If  
9 Respondent does not comply with this Order, any outstanding balance may be deemed in default and  
10 shall be immediately due and payable.

11 IT IS FURTHER ORDERED that if Respondent fails to comply with this order, the  
12 Commission may bring further legal proceedings against Respondent, including application to the  
13 superior court for an order of contempt.

14 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this  
15 Order shall be deemed binding against any Respondent under this Docket Number who has not  
16 consented to the entry of this Order.

17 IT IS FURTHER ORDERED that Janis Walter be dismissed from this action without  
18 prejudice, with each side to bear its own attorneys' fees and costs.

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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY  
COMMISSIONER OLSON COMMISSIONER MÁRQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,  
Executive Director of the Arizona Corporation Commission,  
have hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this 11<sup>th</sup> day of September, 2019.

Matthew J. Neubert  
MATTHEW J. NEUBERT  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,  
voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov).

(PSK)

**CONSENT TO ENTRY OF ORDER**

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2           1.       Respondent admits the jurisdiction of the Commission over the subject matter of this  
3 proceeding. Respondent acknowledges that he has been fully advised of his right to a hearing to  
4 present evidence and call witnesses, and Respondent knowingly and voluntarily waives any and all  
5 rights to a hearing before the Commission and all other rights otherwise available under Article 11  
6 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent acknowledges  
7 that this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties and  
8 Consent to Same ("Order") constitutes a valid final order of the Commission.

9           2.       Respondent knowingly and voluntarily waives any right under Article 12 of the  
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting  
11 from the entry of this Order.

12           3.       Respondent acknowledges and agrees that this Order is entered into freely and  
13 voluntarily and that no promise was made or coercion used to induce such entry.

14           4.       Respondent has been represented by an attorney in this matter, he has reviewed this  
15 order with his attorney, Paul Roshka of Polsinelli PC, and he understands all terms it contains.  
16 Respondent acknowledges that his attorney has apprised him of his rights regarding any conflicts of  
17 interest arising from dual representation. Respondent acknowledges that he has given his informed  
18 consent to such representation.

19           5.       Respondent neither admits nor denies the Findings of Fact and Conclusions of Law  
20 contained in this Order and consents to the entry of this Order by the Commission solely for the  
21 purpose of settling this proceeding. Respondent agrees that he shall not contest the validity of the  
22 Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding  
23 in which the Commission is a party.

24           6.       Respondent further agrees that he shall not deny or contest the Findings of Fact and  
25 Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or  
26 (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)"). He



1 further agrees that in any such proceedings, the Findings of Fact and Conclusions of Law contained  
2 in this Order may be taken as true and correct and this Order shall collaterally estop him from re-  
3 litigating the accuracy of the Findings of Fact and Conclusions of Law contained in this Order. In  
4 the event Respondent pursues bankruptcy protection in the future, he further agrees that in such  
5 bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

6       A.     The obligations incurred as a result of this Order are a result of the conduct set forth  
7 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona  
8 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

9       B.     This Order constitutes a judgment, order, consent order, or decree entered in a state  
10 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by  
11 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine, penalty,  
12 citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by  
13 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

14       7.     By consenting to the entry of this Order, Respondent agrees not to take any action or  
15 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
16 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
17 basis.

18       8.     While this Order settles this administrative matter between Respondent and the  
19 Commission, Respondent understands that this Order does not preclude the Commission from  
20 instituting other administrative or civil proceedings based on violations that are not addressed by this  
21 Order.

22       9.     Respondent understands that this Order does not preclude the Commission from  
23 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
24 that may be related to the matters addressed by this Order.

1           10.     Respondent understands that this Order does not preclude any other agency or officer  
2 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
3 proceedings that may be related to matters addressed by this Order.

4           11.     Respondent agrees that he will not apply to the state of Arizona for registration as a  
5 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
6 representative until such time as all disgorgement and penalties under this Order are paid in full.

7           12.     Respondent agrees that he will not exercise any control over any entity that offers or  
8 sells securities or provides investment advisory services within or from Arizona until such time as  
9 all disgorgement and penalties under this Order are paid in full.

10          13.     Respondent consents to the entry of this Order and agrees to be fully bound by its  
11 terms and conditions.

12          14.     Respondent acknowledges and understands that if Respondent fails to comply with  
13 the provisions of the Order and this consent, the Commission may bring further legal proceedings  
14 against Respondent, including application to the superior court for an order of contempt.

15          15.     Respondent understands that default shall render Respondent liable to the  
16 Commission for its costs of collection, including reasonable attorneys' fees and interest at the  
17 maximum legal rate.

18          16.     Respondent agrees and understands that if Respondent fails to make any payment as  
19 required in the Order, any outstanding balance shall be in default and shall be immediately due and  
20 payable without notice or demand. Respondent agrees and understands that acceptance of any partial  
21 or late payment by the Commission is not a waiver of default by the Commission.

22          17.     Respondent and Janis Walter understand and agree that Janis Walter will be dismissed  
23 from this action without prejudice.

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John Walter

Janis Walter (acknowledging her dismissal from  
this action)

STATE OF ARIZONA )  
 ) ss  
County of )

SUBSCRIBED AND SWORN TO BEFORE me this 7<sup>th</sup> day of August,

NOTARY PUBLIC

My commission expires:

10/12/2022



SERVICE LIST FOR: In re: RONALD HORN et al., DOCKET NO. S-21038A-18-0022

Paul Roshka  
Craig Waugh  
POLISINELLI, PC  
CityScape, One East Washington Street  
Suite 1200  
Phoenix, AZ 85004  
Attorneys for Respondents  
**Consented to Service by Email**